The right to work versus the right to income

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Abstract: Since the mid-1970s, restrictive monetary and fiscal policy have led to persistently high unemployment and rising underemployment in Australia. This paper compares two policy responses to income insecurity resulting from these trends: the Australian Basic Income (ABI) and a state-provided Job Guarantee (JG). The paper examines how the problem of income insecurity is constructed in each model and the consistency of each approach with effective and sustainable full employment strategy. While the ABI model views unemployment as the inevitable result of market imperfections, the JG model locates its persistence in the failure of macroeconomic policy to maintain full employment. We argue that a more effective response is to argue why people are being deprived of the opportunity to undertake paid work. The JG is a means to achieve the goal of macroeconomic policy so that it provides employment opportunities and secure incomes for all.

Keywords: full employment policy; unemployment; income insecurity; macroeconomic; buffer stock employment model; basic income.


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At the same time, employment growth has been concentrated in part-time and casual work. Between 1992 and 2002, full-time employment increased by 14.4% against growth in part-time employment of 33.6%. Over the same period, the number of permanent increases in employment by 14.7%, while the number of casual jobs increased by 34.3%. Casual employment, although accounting for only 22% of all jobs in 1992, comprised 47% of increase in employment in the next ten years (ABS, 2005).

A key outcome of these disturbing labour market trends has been rising insecurity for individuals and families. In a major study of inequality and economic change in Australia, Boulton et al. (2004) concluded:

"What is clear is that the economy has failed to generate an adequate supply of secure, well-paid work. This is particularly so in the apparently strong period of economic growth in the 1990s, when all that net increase in jobs has been in part-time, casual positions, and all that net increase in earnings more than $100 per week at 2000 values. Such an outcome cannot support visible communities, nor maintain the social fabric in tact. Thus it is not surprising that Australia enters the twenty-first century in a mood of deepening social crisis."

In this paper, we compare and contrast two policy responses to rising income insecurity in the form of proposals to introduce a universal basic income (BI) and proposals to introduce a Job Guarantee (JG). Both approaches challenge the prescriptions of dominant neo-liberal policy agenda.

The provision of an unconditional BI, set at a "liveable" level and payable to all citizens, is advocated by a number of public policy theorists as a means of addressing income insecurity (Van Parijs, 1995; Wilkinson and Pogge, 1997; Clark and Kaya, 1996; Lerner, 2000). An alternative strand of progressive thought focuses on unemployment, aiming at addressing the principal cause of income insecurity by redefining the role of the state as an "employer of last resort" (Mitchell, 1993; Wray, 1998). The Centre for Full Employment and Equity (CofEE) has developed a universal basic income which the Federal Government would provide all unemployed and long-term unemployed (Mitchell and Watts, 2001) as well as a community development scheme ensuring that these workers are provided for both by the JG and the BI, in long-term unemployed (Mitchell et al., 2003).

In assessing the place of each proposal in a full employment strategy, the paper is structured as follows. Section 2 outlines the BI and JG models and the different way they construct the income security 'problem' to be solved. Section 3 sets out requirements for an effective and sustainable full employment policy and assesses to which each model meets these conditions, and under what circumstancs. Section 4 considers the nature of coercion under BI and the JG and the possible dynamic transitions to a broader and more inclusive notion of work. Conclusions are presented in Section 5.

2 Constructing the problem

In any problem-solving task, it is crucial to construct the initial problem in a mean way. The way in which the problem is structured is an important influence on discourse conducted and the solutions proposed (Bacchi, 1995). How then do props of BI and the JG construct the problem of income insecurity? We will begin....

I Introduction

In his 1987 Elly Lecture to the American Economics Association, Princeton economist, Alan Blinder, described the failure to provide productive employment for all those willing and able to work as one of the "major weaknesses of market capitalism". He argued that the failure had been "shamefully debilitating" since the mid-1970s and that the associated costs make "reducing high unemployment a political, economic and moral challenge of the highest order" (Blinder, 1988, p. 139).

Sadly, Blinder's 1987 challenge to the economic profession in the USA remains acutely relevant to Australia. Our major political parties have abandoned the goal of full employment and are content to pursue the dismally small goal of full employability. They are similarly content to ignore the unemployed. The dominant economic orthodoxy has, since the mid-1970s, supported policy makers and politicians who have deliberately and persistently constrained their economies under the pretext that the role of policy is to ensure the economy functions at the so-called natural rate of unemployment. Discretionary monetary and fiscal policy decisions have preserved the Australian economy from generating enough jobs to match the preferences of labour force, and enough hours of work to match the preferences of the unemployed. The result has been persistently high unemployment and rising levels of underemployment (Mitchell and Carlson, 2001). The cumulative costs of the foregone output and unemployment are huge and dwarf the costs of alleged macroeconomic inefficiency (Mitchell and Watts, 1997; Watts and Mitchell, 2000). At the same time, highly desirable, labour-intensive projects go undone to the detriment of all (Mitchell, 1998; Wray, 1998).

After 29 years, the evidence of policy failure is overwhelming. The low point unemployment rate has ratcheted upwards over successive economic cycles, and the average duration of unemployment, which was three weeks in 1966, was 43 weeks in June 2004 (ABS, 2004). The problem of labour underutilisation is more severe than portrayed by the official unemployment rate. Mitchell and Carlson (2001) developed the Centre of Full Employment and Equity Labour Market Indicators to capture broader forms of labour wastage. In May 2004—when the official unemployment rate was 5.6%—the rate of hidden unemployment was being wasted or being wasted once account was taken of the hours- undervisualised of the underemployed and the hidden unemployed. Tolerating this level of labour wastage will cost the Australian economy at estimated $4 billion in 2004 in lost potential output (CofEE, 2004).
the BI construct is consistent with the neo-liberal economic paradigm, centred on an individualistic and competitive markets, constrained by market imperfections. By contrast, the GG construction of society fails in the form of ill-conceived macroeconomic policy, which is imposed on vulnerable individuals who are powerless to improve their outcomes.

2.1 The basic income approach to income insecurity

In creating a case for an unconditional basic income, the BI literature gives little attention to the causes of income insecurity although they clearly relate it to the rise of mass unemployment identified in Section 1. Leading BI theorist, Philippe Van Parijs, approaches the problem by drawing on a liberal egalitarian conception of justice. He argues that individuals must be afforded 'real freedom': a state marked by both the absence of restrictions on action and the presence of the means to realise one's projects (cited in Girinis, 1997:p.181). This requires that scarce social resources, including access to paid employment, should be distributed so as to maximise the value of opportunities available to the least well off.

Van Parijs (1993:p.5) concludes that capitalism can be justified by redistributing wealth in the form of a BI payable to all individuals irrespective of their household situation, income derived from other sources and their relationship to the means of production. It would not be restricted to the involuntary unemployed but would be paid to people who choose not to engage in paid work including housewives, homesteaders, surfers and tramps. Our attention in this paper is on what Clark and Kavanagh (1996) p.400 describe as a 'full basic income' in which the BI is set above the poverty line, replaces all other forms of public assistance and is financed through an increase in tax rates or a widening of the tax base.

Macroeconomic analysis within the BI literature is seemingly limited to considering how the scheme would be financed. Despite this, its advocates argue that the introduction of a BI is a means to reconcile the objectives of poverty relief and full employment (Clark and Kavanagh, 1996; Van Parijs, 2000; Basic Income-European Network, 1994). How then will a BI and the decoupling of income from job lead to full employment? The answer to this question lies in how one constructs the problem and how one defines full employment.

The existence and persistence of unemployment in BI models is generally accepted but rarely explained. However, Van Parijs (1991) presents a discussion that is both an explanation of unemployment and a model of BI financing. For Van Parijs, the economics of unemployment is rooted in orthodox neoclassical theory. Joblessness arises because wage rigidities impede allocative competition and prevent the labour market from clearing. Various possibilities are offered to bypass the existence of the wage rigidities including the role of trade union power and minimum wage legislation and bargaining outcomes, which generate 'efficiency wage' outcomes and promote 'insider-outsider' arrangements.

The efficiency wage argument is representative of the economics that underpins the BI model. The model does not offer a macroeconomic explanation for involuntary unemployment but imposes it as a consequence of departure from a competitive situation. The rub of his argument is as follows. Firms are happy to pay above-competitive wages because:

- They face workers who will "shirk" unless the cost of losing their jobs (the wage premium) is significant.
- They induce higher productivity by paying higher wages.

Van Parijs (1991,p.132) says, "Even in a competitive context, firms will pay employees higher wages than those they could get away with by hiring equally unemployed workers". A thought experiment, where all workers have equal "endowments (including skills) leads Van Parijs (1991,p.124) to the following conclusions:

"It is then impossible to say that the employed and the (identically skilled) unemployed enjoy equal access to the means required for the pursuit of their conception of the good life. In a non-Walrasian economy, in other words, people's endowment is not exhaustively described by their wealth (in the usual sense) and their skills: the holding of a job constitutes a third type of resource."

GG advocates would have no dispute with the conclusion that the possession of a crucial source of self-determination for the typical worker in capitalism. However, this conception of the problem leads to a bizarre, and very meek solution in terms of redistributing a type of "property right", which is represented alleged existence of "employment rents". Van Parijs (1991,p.124) says that in the IG scenario, "Let us give each member of the society concerned a tradable right to an equal share of those jobs."

The mechanism of exchange would work like this. When the wage bargain that makes workers with jobs in wage levels above the competitive equilibrium, any re-involuntary unemployment establishes the need for an income transfer. The source income is the employment rents that are monopolised by those in employment, unemployed individual is thus construed as a person who has given his or her income to the extent that the employed person can earn above competitive wages. Van Parijs (1991) claims that:

"These rents are given by the difference between the income (and other advantages) the employed derive from their jobs and the lower income they would need to get if the market were to clear. In a situation of persistent massive unemployment, there is no doubt that the sum total of these rents would greatly exceed the amount available for financing the grant."

Van Parijs then extends the argument to encompass a fully employed efficient economy, coining that the existence of employment rents does not automatic mean unemployment. Low-wage workers may cover and be willing to do high but rationing prevents this from happening. Critical to Van Parijs' (1991) argument is the "...existence of large employment rents, as manifested by the pressure on job endowments, and the fact that many people are without a job..."

Thus the problem of income insecurity is addressed through the provision of guaranteed income that enables workers to live a decent, if modest, life through employment. Rather than tackle the problem at source, full employment is encouraged through an artificial withdrawal of labour supply. In the current parlance "the unemployed" are reclassified as "not in the labour force" and the unemployment is "solved". Van Parijs (1991,pp.130-131) concludes that the case that the "at risk" living off others is invalid because: "...it is a serious misdescription of what surfs are doing if all they live off is their share, or less than their share, of rent would otherwise be monopolised by those who hold a rich society's productive job..."
The argument as constructed raises a number of questions. First, are the employment rents illusionary and, if so, what does this do for the logic of justice that underpins the BI approach that Van Parijs defends? Secondly, do the efficiency wages serve to ensure stable working relations and higher than otherwise productivity? Finally, what is the impact of having the wages of the employed – or seeking to tax the so-called employment rents – and using them to provide basic income for the unemployed?

We argue that there are insurmountable problems with the BI conception of unemployment and the model for financing a Basic Income. The wage bargains (within efficiency wage theory) reflect freedom of association and maximizing decisions on both sides of the contract. A crucial function of the ‘efficiency wages’ is to ensure higher productivity, but what would happen if the firm insisted on paying the competitive wage? Legally, productivity would fall, recruitment would become more difficult and turnover would rise. In other words, in the context of efficiency wage models, the wage outcomes attained are not considered dysfunctional. Instead, they reflect the realities of the capitalist labour market where labour power is bought but labour has to be used, rather than imperfectly within an otherwise perfectly competitive labour market.

Further, the existence of unemployment assumes that real wages work to clear labour markets and that efficiency wages inhibit the market clearing processes by imposing wage rigidity. Why would firms hire at wages lower than the efficient wage? Clearly, if workers are willing to work at the efficient wage, and there are queues for jobs, then there must be enough demand for the output they produce. The solution is to increase demand. Unemployment arises because of a spending gap.

For Van Parijs (1997, 200) the benchmark for evaluating justice is an absence of employment rents. This is tantamount to saying that wages are equal to their theoretical competitive levels. Several problems are encountered in constructing the problem in this way. First, can the employed individual improve the lot of the unemployed? If the wage bargains were functioning in productivity terms, why would the workers behave any differently when they become insiders? They may be prepared to work at lower real wages initially, but once ensconced, why would they not force the efficiency wage bargain? The BI literature is silent on this issue.

But ultimately the employment rents are illusionary and the logic of Van Parijs’ argument breaks down. For example, if we were to eliminate the ‘imperfections’ that created the efficiencies, then within the logic of the competitive neoclassical model that Van Parijs has selected, there would be equal endowments, market clearing real wages and zero involuntary unemployment. There would also be zero employment rents and zero employment costs. In this situation, there would be no substantial commodities to support the basic income. The achievement of full employment would rule out the need for BI. This is precisely the BI solution. In other words, this form of BI financing depends on the existence of ‘market imperfections’ rather than any reducible right to income at the expense of others.

Further, within the BI model, no individual can improve the employment prospects of another. There is thus no basis for determining an exchange between an employed person and a person experiencing unemployment. Why should we expect an employed worker, who is not responsible for the plight of the unemployed to sacrifice income to pay for the non-work of another? It could equally be argued that the capitalist surplus is the ultimate source of distribution and must therefore contain the value that would become, in part, the BI. In essence, the BI simply provides some of the surplus value to those who generate it and one person’s freedom from the work exigency of capitalism is another’s alienation.

There is a presumption in the BI literature that the good (employed) life is a life of work. Surely this is the proclivity of the BI, but why must we assume that it is work to begin with? If we reduce the BI to the idea that work is work, then how does the provision of income without work lead to work? The BI literature is silent on this issue.

2.2 The job guarantee approach to income insecurity

To seek a solution to the problem of income insecurity one has to understand what it is, that it is not enough to accept it as a given and then provide a solution that treats the symptom. The single most significant source of income insecurity is unemployment (Sexton, 1999; Sanders, 2000). The attack on income insecurity should thus begin with a look at the sources of departure from full employment.

As discussed in the introduction, unemployment rates in most OECD economies are persistently at high levels since the first OPEC price shocks in the 1970s. The regime shift in macroeconomic policy, exemplified by the pursuit of budget surplus (tight monetary policy) has seen the deliberate and persistent deflation of the economy in accordance with the NAIRU approach. The result has been that even growth in OECD countries has generally been below the level required to absorb the increase in the labour force and growth in labour productivity (Mitchell, 2001). At the same time, deindustrialization and public sector employment in Australia has allowed unemployment to persist at high levels. It is important to note that the countries that avoided the plunge into unemployment in the 1970s maintained what Ormerod (1994, p. 50) has described as a ‘sinks model of the economy which effectively functions as an employer of last resort, absorbing the shocks which occur from time to time, and more generally, providing employment available to the less skilled, the less educated’.

Unlike the BI story, the Job Guarantee model explains the persistent unemployment as a system failure – the result of erroneous macroeconomic policy which has failed to generate enough jobs. The result of full employment for the unemployed is an increase in the level of aggregate demand compatible with full employment. The nature and use of this power are discussed in Section 3.1.

The Job Guarantee model is outlined in Mitchell (1998) and Mitchell and Warr (2001). The fully funded and operational model of a Job Guarantee programme targets the young and long-term unemployed is detailed in Mitchell et al. (2003).
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3 The essential conditions for a full employment strategy

In the previous section, we concluded that a return to sustained full employment’s most effective policy response to income insecurity. In this section, we outline conditions that a full employment policy has to satisfy certain conditions to be effective and assess BI and the JG against these criteria?

3.1 The essential conditions for a full employment strategy

To be successful and sustainable, a full employment policy has to satisfy 6 of conditions:

1. It must generate enough hours of work to meet the preferences of the labour force.
2. It cannot threaten the distribution of real income.
3. It must have inbuilt inflation control mechanisms.
4. It must be acceptable enough to embrace the disadvantaged.
5. It must not violate the social attitudes towards work and non-work.
6. It must provide jobs that are compatible with environmental sustainability.

We will now develop each of these conditions in turn.

3.1.1 It must generate enough hours of work to meet the preferences of the labour force

While this requirement is self-evident, the definition of full employment continues to be debated. The Federal Treasurer recently declared that the Australian economy was near to full employment with an unemployment rate of around 6% (Costello, 20 the 1980s, neo-liberal economists argued that an unemployment rate of 4% co-existed with full employment (see Mitchell, 1987 for a discussion). We would argue a concept of full employment relates to the number of jobs relative to the willing force (including the hidden unemployed) after allowing for a small percent frictional unemployment. Further, the definition of full employment must also encompass underemployment, and thus take into account the hours of work available each week.

We would conservatively double the official unemployment rate to establish the degree to which the Australian economy is free from full employment.

The disparate views on full employment relate to how we define it. The Depression taught us that, without government intervention, capitalist economies prone to lengthy periods of unemployment. The Second World War experience that full employment could be maintained with appropriate use of budget deficits and unconventional monetary and fiscal policies (see the JG in several countries in the 1980s (Agyagos and Nesi, 2003). The BI approach essentially adopts a mistaken view on why unemployment occurs and thus engineers a supply withdrawal to solve it.
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"... go beyond explaining why firms (employers) will not offer enough jobs to clear the labour market. We need instead to explain why the unemployed are dependent on others for their livelihood and why it is that they are unable or unwilling to employ themselves or to form viable cooperatives. At the end of the day the Maristian and Bolshevik explanation for unemployment is that the working class does not own the means of production and that they are unable to borrow to obtain the required means of production."  

So while the traditional monetary explanations for unemployment found in Keynesian thought are valid, they are only proximate causes. The root cause is the existence of the capitalist property relations.

Within this context, unemployment is functional in the sense that it discipline the working class aspirations for more real income (Mitchell, 1987). (1971) noted that the attainment of full employment was not difficult to achieve of the macroeconomic policies that were required. Rather, the success of these would depend on the "class interests and thus 'political aspects' of the economy" (1987, p.4,9). More recently, Rowthorn (1980) outlines the limits of distributional that workers can engage in within a capitalist system. He states the "obvious" fact

"...so long as capitalists control production, they hold the whip hand, and workers cannot afford to be too successful in the wages struggle. If they are, capitalists respond by refusing to invest, and the result is a recession or longer crisis. To escape from this dilemma workers must go beyond purely economic struggle and must fight at the political level to exert control over production itself." (Rowthorn, 1980,p.154)

The state must thus work within the political economy of capitalism and not policies that will endanger the accumulation of capital and the rate of profit re-capitalists to continue investment.

3.1.3 Inflation control mechanisms

The Post-War expansion came to an abrupt end in the mid-1970s on the back highly disruptive OPEC oil price rises. The OECD experience of the 1990s at high and prolonged unemployment will eventually result in low inflation (1996). Unemployment can temporarily balance the conflicting demands of a capital by disciplining the aspirations of labour so that they are compatible profitability requirements of capital (Kalecki, 1971). Similarly, low product demand - analogous to high unemployment - suppresses the ability of firms to raise prices to protect real margins. Wage demands in the private sector are thus related to the actual number of unemployed who are substitutes for those cut paid work.

Inflation targeting, in which the Reserve Bank uses unemployment as a to reduce pressure on price levels, is the most active component of aggregate policy present time. It is thus imperative that a (full employment) policy that can handle inflation be designed.
3.1.4 It must be accessible enough to embrace the disadvantaged

Unemployment does not impact evenly across skill and demographic groups. The burden of unemployment falls disproportionately on the least-skilled and least-educated workers in the economy (OECD, 1993). In a major study on social exclusion and stressed urban areas, the Organisation for Economic Co-operation and Development (OECD, 1998,p.11) found that deprived areas limit the opportunities and prospects of people who live in them, concluding that "...without a vision of their potential, a nation not only bears the costs but also fails to realise the possibilities inherent in these places and their populations".

Prior to the mid-1970s, the Australian economy was able to sustain full employment. A key reason for the attainment of this outcome was the existence of a "buffer stock" of low skill jobs, many of which were in the public sector. These jobs were always available and provided easy access to employment for the most unskilled workers in the labour force. These workers had employment and income security during hard times.

The goal of any full employment policy should be to restore this buffer stock capacity to the economy in order to ensure that, at all times, the least-advantaged workers in the community have opportunities to earn a wage and to attain independence.

3.1.5 It must not violate the social attitudes towards work and non-work

The dominant attitudes towards welfare and work in Australia remain firmly in favour of providing some welfare relief to those without jobs. However, there is also widespread support for the view that, in return, the unemployed person should look for work and accept work if available (Games, 2002a). At the present time, it is unlikely that the provision of an unconditional guaranteed income to persons able to work would be acceptable to a majority of Australians. The capitalist class would also resist such a payment, as it would reduce the disciplining impact of unemployment. To avoid further stigmatising the unemployed, the medium-term solution must thus centre on the provision of employment. Longer-term changes in social attitudes to the work ethic require education and public debate.

3.1.6 It must provide jobs that are compatible with environmental sustainability

Employment and related productive activities must become increasingly focused on environmental sustainability. Any discussion about policies to increase employment should give due regard to the debate that pits economic growth against sustainable development. While higher levels of output are required to increase employment, the composition of output is a pivotal policy issue.

3.2 Desirable criteria

In addition to these essential criteria, it is desirable that full employment policies embrace the following characteristics:

- provision of community value-adding activities
- provision of inter-generational reductions in disadvantage
- provision of training and opportunities for upward mobility

We will now briefly outline a case for the 'desirability' of each of these criteria.

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First, employment initiatives should advance community development well-being. Geertz (1992) argues that regenerating the concept of common providing access to work in the public sphere are essential to economic citizen participation in the social processes of production. Healthy communities are spaces that encourage and enable participation in social and democratic life. I conducted by the Australian Housing and Urban Research Institute (AHURI) highlighted the spatial patterns of change in population, employment and its social disadvantage, infrastructure and environmental quality in Australia's cities revealing widespread disparities in the vitality of local communities. The researchers and we need to consider the issues involved in fields such as social policy and productive workable strategies through which disadvantaged communities can restructure initiatives will need to extend beyond 'punching' solutions into local outside or relocating individuals and families to communities of greater op (AHURI, 1998).

Second, employment policy should be designed to arrest the inter-generational transmission of disadvantage. There has been a marked increase in the proportion of children living in households with no person in paid work (Dawkins et al., 20 rise in childless households is likely to have significant repercussions for generation of potential workers. Saunders (2002b) notes that while little is known about the longer term consequences of extended periods without formal analysis of longitudinal social security data suggests the inter-generational transmission of disadvantage. Saunders (2002b) cites Australian research by McConkey (2000) indicating that young people aged between 16 and 19 living in receipt of social security are more likely to become parents at an early age, less likely to complete school and more likely to experience unemployment and homelessness, and eventually find their way into social security.

Finally, employment policy should provide opportunities for the development of skills and career paths. Elster (1988) argues that the value of work depends on to which it is a vehicle for self-actualisation and the development and deployment of skills and of skills and potential of individuals. He also argues that human capital (the education and skills of individuals) has the potential to influence economic growth over the long term. The accumulation of abilities contributes to higher rewards and higher earnings for the individual, while the more skilled the worker, the greater their capacity to absorb, implement and adopt new ideas.

In Sections 3.3 and 3.4 we will assess how B1 and the other conditions for effective full employment policy. In Section 4, we will then present potential role and relevance of the desirable characteristics just outlined as transitions to new concepts and forms of work and new production arrangements.
3.3 How does the basic income measure up?

The effect of introducing a BI on the level of involuntary unemployment, labour supply behaviour, the real distribution of income and inflation depend critically on how the BI is financed and whether the budgetary impact is neutral or expansionary. It is important to stress that there is nothing in the logic of the BI model that directly addresses demand deficiency or imbalances, without the discipline of unemployment, any wage-price or price-wage pressures that may emerge.

For individuals to exercise their right not to engage in paid work under the BI model requires that the BI be set at a "liveable" level. As discussed in Section 2, the BI literature generally assumes that a tax-financed BI set above the poverty line and replacing all other forms of public assistance. Let us assume that a BI is introduced and is financed by the imposition of a flat income tax. With respect to our five essential criteria, what impact are likely under conditions where:

- the impact on the budget is neutral
- the BI is deficit financed?

3.3.1 Budget neutrality

Under a budget neutral scenario, the impact on aggregate demand is likely to be small and the capacity of the BI scheme to provide sufficient hours of work to meet the preferences of the labour force will centre on the labour supply response. While Levine (2004) argues that the provision of a secure subsistence income will weaken the connection to formal work, her hypothesis ignores the trend increase in both consumption levels and labour force participation rates in most OECD countries. For example, the trend labour force participation rate in Australia rose from 50.6% in April 1984 to 63.5% in April 2004 (ABS, 2004). In part, this reflects women's rising participation in part-time work and suggests that families are seeking to increase real income. To the extent that increased participation in post-school education, higher labour market participation and increased hours of work reflect an attraction to high incomes and career opportunities, it is unlikely that participation would significantly diminish under a BI.

Similarly, studies of the unemployed point to their strong commitment to work (Tann and Swyers, 2001). Wilke and Lewis (1997) note that 10% of Americans work full-time but are below the poverty line. They argue that low-wage Americans have a strong commitment to work even before restrictions were imposed on accessing public assistance - most recipients were off public assistance within three years.

This raises the question of which workers are likely to withdraw from the labour market when a BI is introduced, thus creating employment opportunities for the involuntary unemployed? While some secondary income earners (particularly women and teenagers working part-time) may withdraw their labour supply and some other workers may opt to reduce their hours and supplement the BI with part-time or casual work - it is unlikely that a significant number of workers will choose to reduce their post-tax incomes when the material demands of many workers remain unsatisfied.

If the provision of a modest BI under budget neutrality increased the supply of part-time workers, what impact would this have on the distribution of income? One theory argues that the absence of a work test means that workers are not forced to take poorly paid, marginal jobs to supplement the BI, increasing the bargaining power of the weakest participants in the labour market relative to their power under a work test. Low-wage employers may be forced to improve pay and conditions in order to attract workers.

However, an alternative view is that an increase in the supply of part-time work could strengthen the hand of employers in a segmented labour market. Employers exploit the large implicit subsidy by reducing wages and conditions, while if replacement of some full-time jobs with low-wage, low-productivity part-time jobs lead to declining rates of investment, skill development and average living standards.

It is not evident that the provision of a modest BI would lead to a significant shift in labour market activities, given the higher marginal tax rate and the post-tax downward pressure on wage rates. Thus the impact of a BI on labour supply is low.

A more generous BI, under budget neutrality, could lead to a significant shift in part-time workers choosing not to engage in any paid work. However, it necessarily implies a higher tax rate. Higher income earners would maintain work until the implied marginal tax rate led to the dominance of the substitution over income effects in their decision making. At this point, the maintenance of neutrality would require a further increase in tax rates or a cut in the basic income form of the "financing" problem, as more workers leave the labour force or reduce their hours. There will thus be a minimum sustainable level of the conditions of budget neutrality. The impact on aggregate demand and employment is likely to be small, even with some redistribution of working hours; high labour underutilisation are likely to persist.

Little (1998, p.131) points out that while the BI might enable individuals without work "it does not provide any firm priorities for paid work for those who have a job but who want to contribute their labour to the generation of social capital". Thus a budget-neutral BI fails the policy criteria of providing sufficient hours of work to meet the preferences of the labour force.

The macroeconomic changes associated with the introduction of the BI could lead to a realignment of wage relativities. Cornwall (1983) argues that real wages with the impact of higher taxes, may promote the operation of a wage price inflationary mechanism, despite the existence of unemployment.

3.3.2 A deficit "financed" BI

A deficit "financed" BI constitutes an indiscriminate Keynesian expansion in the of involuntary mechanisms to counter any inflationary pressures that result. In contrast, the budget neutral scenario just outlined, a net stimulus to aggregate demand induced by:

- a higher BI with an unchanged tax system
- an unchanged BI with lower taxes
- a combination of the two.

Demand for work would clearly increase more under the budget neutral scenario than the impact on labour supply that is of critical importance.
If the level of BI is increased, it is reasonable to surmise that total labour supply would decrease, while the impact of lower tax rates on the labour supply of incumbent workers will depend on the relative magnitudes of their income and substitution effects. Given the net stimulus to employment and output, there is the logical possibility of excessive demand for labour at full employment, where the full employment level of employment has been artificially reduced in the presence of a BI.

In the absence of an output counter-inflation mechanism, this excess demand would cause demand-pull inflation. Rising wages would make the BI relatively less attractive. This may lead to some "lifecycle" groups choosing to return to the labour market, while the government may respond by raising taxes and/or reducing government expenditure, which would tend to raise unemployment. In both cases demand pressure would decline, but to the extent that the inflationary process had assumed a cost push form, wage and price inflation may only decline slowly.

It is thus possible that an unsustainable dynamic could be generated in which there are periodic phases of demand-pull inflation and induced cost-push inflation at low rates of unemployment, followed by contractionary policy and high rates of unemployment. These economic outcomes are consistent with indiscriminate Keynesian policy of the past. The dynamic efficiency of such a pattern is highly questionable given that the hysteretic consequences of unemployment keep being manifested. Even if this Keynesian expansion could achieve full employment, considerable economic unhappiness is created. The ebb and flow of the private sector cannot be easily accommodated, and the likelihood of inflation is thus increased (Foster, 2000). In addition, the inflationary process at full employment could threaten to change the distribution of real income, weakening the movement to invest and making the achievement of sustained full employment even more difficult (Rosenthal, 1988). Once these factors would be political pressure to raise the BI in line with changing community expectations that reflect the higher wage levels. Policy makers would need to correctly anticipate the impact on labour supply.

Thus, the introduction of a BI policy designed to achieve full employment is likely to be highly problematic with respect to its capacity to deliver both sustained full employment and price stability. Such a policy is inconsistent with criterion two or criterion three on both.

Some BI supporters recommend financing the BI through other forms of taxes to avoid discriminating workers, but these appear to be no consensus. If taxes are shifted from labour to capital—bringing about a minimal redistribution of income—the may weaken the incentive to invest or induce price increases to restore the real distribution of income.

Finally, we need to consider the effect of a BI on social attitudes to work and non-work. While BI advocates argue that the universality of the payment will make it more acceptable to the community, this claim ignores the distinction between BI recipients who choose to work and those that choose no paid work. Becher (2000a) observes that work is still:

"...at the heart of capitalist culture...[and]...to make sure there is no identity outside of employment, the unemployed are stigmatised. They tend to be portrayed in the media as either feckless, hopeless cases or layabouts who are living it up at taxpayers' expense. Work is seen as an essential characteristic of being human. No matter how tedious it is, any work is generally considered to be better than no work."

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We thus argue that the introduction of a BI is likely to further vitiate attitudes to work and non-work.

In summary, the BI fails to satisfy the essential criteria for an effective sustainable full employment policy as outlined in Section 3.1. Any policy that entails imposition of a liveable BI violates attitudes to work and non-work. A BI policy achieves full employment, in part by engineering an artificial reduction in labour supply is likely to be unsustainable because of frequent episodes of stagnation, which impact on the real distribution of income. And a BI that fails to achieve full employment despite its impact on labour supply, does not provide sufficient hours of work to preferences of the labour force.

3.4 How does the 3G measure up?

We now assess the Job Guarantee model against our essential criteria and conclusions, all the conditions for an effective and sustainable full employment policy.

Under the 3G policy, every worker unable to find a job or to secure sufficient work in the standard labour market is guaranteed a public sector job. The public continuously absorbs all currently idle workers into paid employment at an SI wage that it sets and maintains. Government employment and spending is determined by the level required to generate enough hours of work to meet the preferences of the labour force and automatically increases (decreases) as jobs (gained) in the private sector.

Mitchell and Watts (2001) show that, in the first instance, the 3G sets a wage (the SI) that the economy can provide and provides jobs for the existing unemployed (plus hidden unemployment). There are no relative wage effects and the rising demand for 3G does not re-activate inflationary pressures because firms are likely to increase capacity until they meet the higher sales volumes. However, while the 3G policy frees wage bargain the general threat of unemployment, two factors affect this.

First, in professional occupational markets, where any wage discipline wage demands, the demand pressures may eventually exhaust the wage price pressures may develop. Second, while it is likely that the 3G will lower levels of productivity than their private sector counterparts, Mit and Watts (2001) consider the productivity to be embodied in the job rather than the firm, firms would still be required to train new workers in job-specific skills and overtime they would in a non-3G economy. However, 3G workers are likely to retain higher levels of skill than those who are forced to endure long spells of unemployment.

This changes the bargaining environment rather significantly. It reduces costs for firms in tight labour markets that previously would have lowered the pressure. The 3G policy thereby reduces the "hysteretic inertia" embodied in the unemployed and allows for a smoother private sector expansion, because bottlenecks are reduced.

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The IG approach forecloses the free-rider option that is available on unconditional basic income and creates the possibility that the IG will be self-defeating government in pursuit of tax-financed social welfare goals. In a society which value to the notion of reciprocity, the guaranteed work model ensures that "a group would be rendered as an idle underclass wholly dependent on other payments" (Jackson, 1999, p.653).

Finally, the IG approach plays explicit regard to the scale of macroeconomic relative to the ecosystem. It acknowledges that debates about the expansion of a demand required to keep pace with labour force and productivity growth - and in sufficient hours of work for underprivileged labour - must recognize the existing j on our environment. The need to change the composition of final output environmentally sustainable, which are unlikely to be undertaken by private sector due to their public good characteristics, is taken as given. IG jobs can be designed not to, or make little use of, non-renewable resources, and that do not pollute as little as possible. These advantages may be gained even if the activity or sector directly concerned with the environment (Forstater, 2002).

In addition, IG jobs can help promote sustainability by providing existing services such as reforestation, sand dune stabilisation and river valley control. Forstater (2002) argues that a potential environmental benefit of public employment schemes is increasing the expertise in sustainability and as practices available in private industry through the movement of IG workers to private sector. The IG proposal would also shift decisions about activity logging from the pressure to create jobs in economically depressed regions to decisions could then be made with reference to broad economic, social and environmental criteria.

4 Coercion and the future of work

In the previous section, we established a preference for the Job Guarantee in its ability to satisfy the essential conditions for a successful full employment policy, and to be an additional tool in the constraints of a monetarist's capitalistic system. The case made for the IG is outstanding and important issues to be discussed:

1. Is a compulsory IG overly coercive?
2. Does the IG model introduce dynamics that can take us beyond the oppressive reliance on work for income security?

For example, Van Parijs (1999) considers a capitalist road to communism, the introduction of a universal income guarantee. We will argue that the IG is stronger evolutionary dynamic in terms of establishing broader historical view from the unemployment (and income insecurity) that is inherent to the mode of production. We see the IG as a short-run palliative and a long-term historical change.
4.1 Coercion

If the vast majority of workers prefer to work, then the systemic failure to provide a sufficient quantum of jobs imposes harsh costs that can be alleviated by the introduction of a BI. In this regard, the BI is a source of freedom — capitalist property relations notwithstanding — but it is certainly possible that some people — the “scapegoats” — do not value work in an intrinsic sense, and, if confronted with the choice between the JG and a BI, would take the latter option every time. A blanket BI is coercive in its impact on this particular group. The BI advocate would likely recommend a simple modification that would “naturally” make the JG voluntary within the context of a universal BI.

To understand this criticism of the JG, we note that the underlying unit of analysis in the BI literature is an individual who appears in resemble McGregor’s (1960) Theory X person. Theory X people are found in neo-classical microeconomic textbooks and are self-centred, rational maximisers. In this conception, Throsby (1989:p.216) says “man is basically a grasshopper with a limited, short-term horizon who, liking leisure, must be forced to work and save, induced by rewards much greater than those he gets from leisure.

Reconstructing this conception of human behaviour is a libertarian concept of freedom. Optimal outcomes require an individual to have free choice and BI proponents see a decoupling of income from work as an essential step towards increasing choice and freedom. From a Marxist perspective, BI offers the hope of taking subsistence away from any necessity to produce surplus value, at least for all given individuals that takes the BI. Accordingly, proposals like the Job Guarantee are met with derision because they represent the antithesis of individual freedom. Even if the vast majority of individuals desire to be employed, a flexible system would automatically reduce the minimum wage to work in a job on the income guarantee.

By denying citizens the opportunity to choose between the JG and the non-work alternative of the BI, it is alleged that the JG becomes an inescapably coercive and harsh system. However, taking the orthodox government budget constraint version of the BI at face value, contrasts BI proponents with a major difference. To finance the scheme, some people have to work. It is difficult to believe that all those who are working are choosing to work in preference to not working. However, under capitalist property relations, workers in general have to work to survive.

Van Parijs (1995:p.179) asks “what is ‘right’ about living off the labour of others when everyone is given the same possibility?” Facing this possibility, some will choose to do no or little paid work. Others will want to work, a lot, whether for the additional money or for the fun of working, and thereby finance the universal grant. If the latter entry the former’s livelihood, why do they not follow suit?

There are a number of problems with this conception of a free and fair system. First, our lives do not all begin at the time of the inception of the BI. Individuals who, under different circumstances, may have taken the non-work option have entered into commitments, like having children. In that sense, prior constraints prevent them from “enjoying” the freedom. Second, the financing logic fails due to the inherent fallacy of composition. The BI system becomes undefined if everyone chose to take the non-work option. So we are left with the untenable conclusion that under the BI, the “coercion of work” is nearly transferred to those who do not take the BI, while the BI, while the “coercion of work” is shared by all.

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No form of wage labour is non-coercive under capitalism. The question is w whether coercion is most likely to lead to changes in the mode of production over the importance of the work ethic in reinforcing capitalist social relations underestimated. We repeat Elder’s (2000, pp.2) observation that the problem is remains at the heart of capitalist culture... and is seen in an essential stance being human”. No matter how tedious it is, any work is generally considered to be work.

In other words, the BI approach contains a dynamic societal society away from capitalism to a socialist system. Marxist support BI see this as a major advantage, a fundamental under capitalism but also the seed in the next section we will consider the viability of this claim.

4.2 Transition to the future of work

In Australia there are several trends that are placing our traditional notions of income under stress:

- There has been a decline in the growth of full-time jobs and a rising share of part-time and casual jobs (Borland et al., 2001).
- Unemployment has persisted at high levels for nearly 30 years.
- There is growing underemployment among part-time workers.
- The number of marginal workers is rising as is the number of former workers supported by disability pensions.
- There has been a polarisation emerging between those with too much work and others with too little (Watts & Burgess, 2000).
- Reflecting these labour market trends, Australia is experiencing rising income inequality with the bottom 50% of the population having a smaller income than the top 10% of income earners (Smeets, 2001, Table 3).

The future of paid work is clearly an important debate. The traditional model of the virtues of work — which are exploited by the capitalist class — need to be challenged. Social policy can play a part in engendering this debate and help transform dynamics. However, it is likely that a non-capitalist system of work a generation is needed before the yoke of the work ethic and the stigmatisation of is fully expanded.

The question is how to make this transition in light of the constraints placed on the working class and the state. BI advocates argue that their approach exactly this dynamic.

Clearly, there is a need to embrace a broader concept of work in the future decoupling work and income. However, to impose this new culture of non-work society as it currently exists is unlikely to be a constructive approach. A movement of the unemployed will only be transferred to the ‘Melbourne survivals’
5 Conclusion

Work remains central to identity and independence in contemporary Australia and persistent unemployment remains the central cause of income insecurity. While the introduction of an unconditional Basic Income has superficial appeal – as a means to allow individuals to subsist without work – the model fails to come to grips with the failure of macroeconomic policy to provide paid employment opportunities and secure incomes for all.

Blyth (1988, p. 1) was right to describe reducing high unemployment as a "political, economic and moral challenge of the highest order". In this paper, we set out the conditions that must be met if a full employment strategy is to be both effective and sustainable. Unlike the BI model, the Job Guarantee model meets each of these conditions within the constraints of a monetary capitalist system. Little (1988, p. 131) notes that:

"Basic income advocates may suggest that the disengagement of income from work performed is likely to result in a growth of activity on the voluntary community scale, but what is not clear is how community relations are going to be developed sufficiently. In other words, monetary measures associated with basic income cannot by themselves regenerate the concept of community and amoral forgiveness and charity defined for the state is necessary."

This role for the state is embodied in the Job Guarantee. It is a far better vehicle to rebuild a sense of community and to extend the purposeful nature of work beyond the creation of surplus value for the capitalist employer. It also provides the framework whereby the concept of work itself can be extended and broadened to include activities that we would otherwise be 'leisure' under the current ideology and parameters. In other words, the JG can take us into a convergence with the BI aspirations via the development of concepts of work within the work ethic paradigm.

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Notes

1. The level of aggregate demand is adjusted to ensure that the economy provides work opportunities.

2. NAIRU is an acronym referring to the Non-Accelerating Inflation Rate of Unemployment. There is a growing literature outlining how flows in the NAIRU approach, which unstable, is a policy framework (see Mitchell, 2001).

3. The CBR/HEB measure of hours-based underutilisation, including underemployment and hidden unemployment, soared at 10.7% in May 2004.

4. The alternative is that, the excess demand for goods would be increasingly met vii

The consequential effects for the exchange rate and the domestic price level would be the inflationary pressure.

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